

# Senate Study Bill 1212

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
EDUCATION BILL BY  
CO=CHAIRPERSON McKINLEY)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to organizations supportive of community colleges  
2 and schools by allowing individual income tax credits for  
3 contributions made to certain school tuition organizations,  
4 authorizing a school district or community college to include  
5 a nonprofit educational foundation on its insurance coverages  
6 if reimbursed, and including an applicability date provision.  
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
8 TLSB 2257XC 81  
9 kh/sh/8

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1 1 Section 1. Section 260C.14, Code 2005, is amended by  
1 2 adding the following new subsection:  
1 3 NEW SUBSECTION. 21. Have authority to include in the  
1 4 community college's insurance coverages an organized nonprofit  
1 5 educational foundation that exists for the sole benefit of the  
1 6 community college, provided the foundation reimburses the  
1 7 community college for the cost of the insurance.  
1 8 Sec. 2. NEW SECTION. 279.60 NONPROFIT SCHOOL  
1 9 ORGANIZATIONS == AUTHORIZATION.  
1 10 The board of directors shall have the authority to include  
1 11 in the school district's insurance coverages an organized  
1 12 nonprofit educational foundation that exists for the sole  
1 13 benefit of the school district, provided the foundation  
1 14 reimburses the school district for the cost of the insurance.  
1 15 Sec. 3. NEW SECTION. 422.11K SCHOOL TUITION ORGANIZATION  
1 16 TAX CREDIT.  
1 17 1. The taxes imposed under this division less the credits  
1 18 allowed under sections 422.12 and 422.12B shall be reduced by  
1 19 a school tuition organization tax credit equal to seventy=five  
1 20 percent of the amount of the voluntary cash contributions made  
1 21 by the taxpayer during the tax year to a school tuition  
1 22 organization, not to exceed either of the following:  
1 23 a. Seven hundred dollars for a single individual.  
1 24 b. Eight hundred dollars for a married couple.  
1 25 2. To be eligible for this credit, all of the following  
1 26 shall apply:  
1 27 a. A deduction pursuant to section 170 of the Internal  
1 28 Revenue Code for any amount of the contribution is not taken  
1 29 for state tax purposes.  
1 30 b. The contribution does not designate that any part of  
1 31 the contribution be used for the direct benefit of any  
1 32 dependent of the taxpayer or any other student designated by  
1 33 the taxpayer.  
1 34 3. Any credit in excess of the tax liability is not  
1 35 refundable, but the excess for the tax year may be credited to  
2 1 the tax liability for the following five tax years or until  
2 2 depleted, whichever is the earlier.  
2 3 4. Married taxpayers who file separate returns or file  
2 4 separately on a combined return form must determine the tax  
2 5 credit under subsection 1, paragraph "b", based upon their  
2 6 combined net income and allocate the total credit amount to  
2 7 each spouse in the proportion that each spouse's respective  
2 8 net income bears to the total combined net income.  
2 9 Nonresidents or part=year residents of Iowa must determine  
2 10 their tax credit in the ratio of their Iowa source net income  
2 11 to their all source net income. Nonresidents or part=year  
2 12 residents who are married and elect to file separate returns

2 13 or to file separately on a combined return form must allocate  
2 14 the tax credit between the spouses in the ratio of each  
2 15 spouse's Iowa source net income to the combined Iowa source  
2 16 net income of the taxpayers.

2 17 5. For purposes of this section:

2 18 a. "Disabled student" means a child requiring special  
2 19 education, as defined in section 256B.2, subsection 1.  
2 20 b. "New student" means a child who did not attend an  
2 21 accredited nonpublic school in Iowa during the previous school  
2 22 year.

2 23 c. "Qualified school" means a preschool for disabled  
2 24 students in this state or a nonpublic elementary or secondary  
2 25 school in this state which is accredited under section 256.11  
2 26 and adheres to the provisions of the federal Civil Rights Act  
2 27 of 1964 and chapter 216.

2 28 d. "School tuition organization" means a charitable  
2 29 organization in this state that is exempt from federal  
2 30 taxation under section 501(c)(3) of the Internal Revenue Code  
2 31 and that allocates at least ninety percent of its annual  
2 32 revenue for educational scholarships or tuition grants to  
2 33 children to allow them to attend any qualified school of their  
2 34 parents' choice of which one-third of the children who receive  
2 35 scholarships or grants are new students. Once a child has  
3 1 been deemed a new student that child shall continue to be  
3 2 counted as a new student for each school year the child  
3 3 receives a scholarship or grant from the organization to  
3 4 attend a qualified school. A school tuition organization  
3 5 shall only award educational scholarships and tuition grants  
3 6 to children who reside in Iowa. In addition, to qualify as a  
3 7 school tuition organization, the charitable organization shall  
3 8 provide educational scholarships or tuition grants to students  
3 9 without limiting availability to only students of one school  
3 10 and shall prioritize the providing of such scholarships and  
3 11 grants to students from families whose incomes are less than  
3 12 two hundred percent of the federal poverty level, as defined  
3 13 by the most recently revised income guidelines published by  
3 14 the United States department of health and human services.

3 15 6. A school tuition organization that receives a voluntary  
3 16 cash contribution pursuant to this subsection shall report to  
3 17 the department, in a form prescribed by the department, by  
3 18 February 28 of each year all of the following information:

3 19 a. The name, address, and contact name of the school  
3 20 tuition organization.

3 21 b. The total number of contributions received during the  
3 22 previous calendar year.

3 23 c. The total dollar amount of contributions received  
3 24 during the previous calendar year.

3 25 d. The total number of children awarded educational  
3 26 scholarships or tuition grants during the previous calendar  
3 27 year and the number of these children who are new students,  
3 28 who reside in the state, and who are from families with  
3 29 incomes of less than two hundred percent of the federal  
3 30 poverty level.

3 31 e. The total dollar amount of educational scholarships and  
3 32 tuition grants awarded during the previous calendar year.

3 33 f. For each school to which educational scholarships or  
3 34 tuition grants were awarded all of the following shall be  
3 35 provided:

4 1 (1) The name and address of the school.

4 2 (2) The number of educational scholarships and tuition  
4 3 grants awarded during the previous calendar year.

4 4 (3) The total dollar amount of educational scholarships  
4 5 and tuition grants awarded during the previous calendar year.

4 6 7. The department shall annually file a report with the  
4 7 chairpersons and ranking members of the senate and house  
4 8 committees on ways and means detailing a compilation of the  
4 9 information received from the reports of all school tuition  
4 10 organizations filed pursuant to the requirements of subsection  
4 11 6.

4 12 Sec. 4. APPLICABILITY DATE. The section of this Act  
4 13 enacting new Code section 422.11K applies to tax years  
4 14 beginning on or after January 1, 2006, but before January 1,  
4 15 2014.

#### 4 16 EXPLANATION

4 17 This bill provides for an individual income tax credit  
4 18 equal to 75 percent of the voluntary contributions made to a  
4 19 school tuition organization that is exempt from federal income  
4 20 tax. The bill also allows school districts and community  
4 21 colleges to include in their insurance coverages an organized  
4 22 nonprofit educational foundation that exists for the sole  
4 23 benefit of the district or community college provided the

4 24 foundation reimburses the school district or community college  
4 25 for the cost of the insurance.

4 26       The tax credit would be limited to \$700 for single  
4 27 individuals and \$800 for married persons filing jointly. If  
4 28 married individuals filed separately, the \$800 is divided  
4 29 between them based upon each individual's net income. The  
4 30 bill requires the organization to use at least 90 percent of  
4 31 total contributions to provide educational scholarships or  
4 32 tuition grants to children attending nonpublic elementary or  
4 33 secondary schools or preschools for disabled students that are  
4 34 accredited under state law and adhere to the federal Civil  
4 35 Rights Act of 1964 and the state civil rights law.

5 1       The bill provides that the tax credit applies to tax years  
5 2 beginning on or after January 1, 2006, but before January 1,  
5 3 2014.

5 4 LSB 2257XC 81

5 5 kh:nh/sh/8